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Executive Director

August 26, 2003

Joel K. Bladow
Regional Manager
Rocky Mountain Customer Service Region
Western Area Power Administration
5555 East Crossroads Boulevard
Loveland, CO 80538-8986

Dear Mr. Bladow,

Submitted here are comments of the Western Interstate Energy Board's Western Interstate Wind Evaluation Team (WIWET) in response to the Western Area Power Administration's (Western) proposed rates for Loveland Area Projects (LAP) transmission and ancillary services. The Western Interstate Energy Board (WIEB) is an organization of 12 Western states and three provinces. WIEB is charged with assisting in the implementation of energy policies of the Western Governors' Association. WIWET is a WIEB working-group whose objectives are to identify, evaluate and promote regional policies that support the development of wind resources in the Western Interconnection.

Western Governors' Association Resolution 03-03 states: "Western Governors believe that the development and deployment of renewable energy technologies can benefit the region by:

- Diversifying the region's energy supply;
- Promoting the development of new technologies and Western companies in a growing global market;
- Reducing air pollutants from energy production;
- Providing a safety net in the event reductions in greenhouse gases are required;
- Meeting our obligation for careful stewardship of our natural resources;
- Providing a hedge against fluctuating energy prices; and
- Saving precious water resources."

Serious impediments to achieving these benefits are posed by elements of the proposed LAP rates for ancillary services. The proposed rates undermine state efforts to develop the region's renewable resources. Specifically, the Proposed Rate for Regulation and Frequency Response Service for Intermittent Renewable Resources represents a new roadblock to developing wind resources and should be reconsidered because:

- It reflects much higher wind regulation costs than those determined by peer reviewed studies from Oak Ridge National Laboratory and others¹;
- It runs counter to NERC guidelines by singling out specific generators for special rate treatment, thus giving less consideration to the net costs of regulating the control area as a whole;
- It is based on deviation from delivery schedules, a formula more appropriate for determining energy imbalance not real time regulation charges.

WIWET recognizes the impacts the present rate adjustment may have beyond the LAP. To promote fair resource policies throughout the region, WIWET has asked the National Renewable Energy Laboratory (NREL) for assistance in analyzing the actual regulation and imbalance burden posed by wind on the WAPA system. Such insight could be used as a basis for more detailed comments if available before the September 11 deadline.

The Department of Energy's Oak Ridge National Laboratory (ORNL) and National Renewable Energy Laboratory (NREL) have worked extensively on the regulation and imbalance impacts of renewable intermittent generators. ORNL has developed a method to analyze the impact that variable loads and generators have on the regulation requirements of a control area. This method has been extensively peer-reviewed and has been successfully applied in other regions including AEP, BPA, Alberta, CSW, NIPSCO, CAISO, New Brunswick, Ontario Hydro, and Xcel Energy.

WAPA data should be collected and used in the ORNL model to analyze the actual impact variable generators are having on regulation requirements in the WAPA system. NREL and ORNL should collaborate with WAPA to perform this analysis. The results should be used to develop a regulation tariff that accurately allocates the cost of regulation to the entities that cause the cost to be incurred.

Instead of erecting new obstacles to the development of intermittent renewable resources, Western, as a federal agency, should be in the forefront of devising new ways to use agency resources to encourage the production and delivery of renewable energy through its transmission policies and the operation of the hydroelectric system within its service territory. WIWET encourages Western to suspend the implementation of its proposed regulation and imbalance rates for intermittent renewable resources and engage in a dialogue with NREL and Oak Ridge Laboratory to devise a sensible ancillary service scheme that allocates costs among generators in a fair and equitable manner.

¹ Studies include: Characterizing the Impacts of Significant Wind Generation Facilities on Bulk Power System Operations Planning, <http://www.uwig.org/UWIGOpImpactsFinal7-15-03.pdf>; "Integrating Wind Output With Bulk-Power Operations and Wholesale Electricity Markets," Wind Energy 5, 19-36, 2002; Integrating Wind Energy With the BPA Power System: Preliminary Study, <http://www.ehirst.com/PDF/BPAWindIntegration.pdf>, September 2002.

Sincerely,

/s/ *Doug Larson*

Douglas Larson, Executive Director
Western Interstate Energy Board

cc: James M. Souby, Executive Director, Western Governors' Association

The Western Interconnection Wind Evaluation Team

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